

## United States Senate

July 24, 2014

David A. Montoya  
U.S. Department of Housing and Urban Development  
Office of Inspector General  
451 7th Street, SW  
Washington, DC 20410

Dear Inspector General Montoya:

I write to request an investigation of \$5 million in federal tax dollars for Hurricane Ike Disaster Assistance that were used in a micro-lending component of a state run anti-violence program that is currently under three investigations.

In September of 2008, Hurricane Ike made landfall in Texas. Shortly after, the hurricane caused flooding, wind damage and two deaths in Illinois. In response to Hurricane Ike, Congress passed the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act (Pub. L. 110- 329) in September of 2008 which appropriated \$6.5 billion in Community Development Block Grant-Disaster Recovery funds. In 2009 Illinois was allocated a total of \$169.1 million of CDGB-DR funds and a supplemental \$24.5 million of Disaster Recovery Enhancement Funds in 2010. This brought the total CDBG-DR funding allocated to Illinois to \$193.7 million. As described in the Act, the funds are “for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing and economic revitalization in areas affected by hurricanes, flooding, and other natural disasters that occurred during 2008, for which the President declared a major disaster.”

In accordance with HUD CDBG-DR rules, Governor Patrick Quinn designated the Illinois Department of Commerce and Economic Opportunity (DCEO) to administer the Illinois Ike Disaster fund in March of 2009. In December 2010, three Chicago area financial institutions (Accion Chicago, Chicago Community Ventures and the Women’s Business Development Center) along with the DCEO announced that \$5 million of the Ike Disaster funds would be made available through a micro-lending program component of Governor Quinn’s Neighborhood Recovery Initiative (NRI).

The now defunct anti-violence program, NRI, was the subject of a recent Illinois Auditor General Report (The Report) highlighting a misuse of state funds. The Report found “pervasive deficiencies” in planning, implementation and management highlighted by the fact that that Chicago’s most violent areas were ignored by the NRI. The Report also revealed that the NRI hired mentors who were convicted of aggravated financial identification theft; possession of a controlled substance; armed robbery; neglect of a child; battery; theft; burglary; and, prostitution. As a result, NRI officials are now under investigation by a federal grand jury, the Cook County State’s Attorney Office and the Illinois Legislative Audit Commission. It should also be noted that at the same time Chicago Community Ventures was lending on behalf of the NRI’s micro-lending program, they were the subject of a Department of Treasury investigation that found the organization had misused federal Community Development Financial Institution funds.

The Illinois Auditor, State’s Attorney office and the Audit Commission have only focused on the estimated \$50 million in state funds used for the NRI. I am concerned that without your investigation into the micro-lending component of the NRI, there will be no oversight of the \$5 million in federal disaster funds used for this questionable program.

I ask that you investigate and make public how these funds were used. I also request answers to the following questions regarding the NRI micro-loan program.

1. Who were the final recipients of the NRI micro-loan program and where were they located?
2. Did any of these businesses lie within areas of significant damage caused by Hurricane Ike?
3. What criteria was used to select micro-loan recipients?
  - a. Who chose the criteria?
4. What criteria was used to select micro-loan lenders?
  - a. Who chose this criteria?
5. How many jobs were created by this micro-loan program?
  - a. Which businesses created these jobs and what metrics were used to verify job creation statistics?
6. Was the NRI micro-loan program an eligible activity under the law that appropriated the money?
7. Did the Illinois Department of Commerce and Economic Opportunity accurately report the functions of the micro-loan program in their mandated Ike quarterly reports to allow for proper HUD oversight?
8. The Accion press release stated minimum requirements to obtain a NRI micro-loan. Were all of the recipients properly notified of the disaster requirements necessary to qualify for Ike Disaster Recovery Funds? Were these requirements posted online?

9. Did all of the recipients of the loans meet Ike Disaster Recovery Funds requirements?
10. I understand Illinois submitted waivers to forgo a portion of the HUD requirements for the Ike funds. Did these waivers permit micro-lending activity?

In addition to the answers to these questions, I would like any and all documents related to the site visits and subsequent concerns that were forwarded to the lenders as mentioned in the state's Ike Quarterly Performance Reports to be made public.

Thank you for your cooperation and prompt response.

Sincerely,



Senator Mark Kirk  
United States Senator

Attached:

12/13/2010 Accion Press Release

February 2014 Performance Audit of State Moneys Provided to the NRI  
Department of the Treasury Inspector General Investigation Report

cc: Mr. James Lewis, US Attorney, Central District of Illinois